

## Message Text

CONFIDENTIAL

PAGE 01 BOGOTA 09581 261621Z

61

ACTION ARA-10

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INT-05 PC-01 /083 W

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R 261456Z OCT 74

FM AMEMBASSY BOGOTA

TO SECSTATE WASHDC 5465

INFO AMCONSUL CALI

AMCONSUL MEDELLIN

C O N F I D E N T I A L BOGOTA 9581

E.O. 11652: GDS

TAGS: PINT, CO

SUBJECT: THE LOPEZ ADMINISTRATION TO DATE

REF BOGOTA A-184, A-185

1. SUMMARY: AFTER ELEVEN WEEKS IN OFFICE THE LOPEZ ADMINISTRATION HAS PUT IN PLACE THE INITIAL MACHINERY WITH WHICH THE NEW PRESIDENT CAN BEGIN TO REDEEM HIS WELL RECEIVED CAMPAIGN PROMISES TO FIGHT INFLATION AND BRING ABOUT A MORE EQUITABLE DISTRIBUTION OF INCOME. THE PERIOD HAS NOT BEEN AS DYNAMIC AS LOPEZ HAD LED THE PUBLIC TO BELIEVE BUT THE PRESIDENT STILL BENEFITS FROM A BROADLY BASED SUPPORT. BROADLY FELT UNEASE AND DISCONTENT AS A RESULT OF LOPEZ'S ECONOMIC MEASURES MAY SIGNAL FUTURE PROBLEMS FOR THE ADMINISTRATION. AT PRESENT, HOWEVER, THIS DISSATISFACTION IS NOT SUFFICIENTLY COHESIVE OR POLITICIZED TO REPRESENT AN EFFECTIVE DETERRENT TO THE PROGRAMS OF THE LOPEZ ADMINISTRATION. END SUMMARY

CONFIDENTIAL

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PAGE 02 BOGOTA 09581 261621Z

2. THERE WAS, UNTIL THE SEPT 17 DECLARATION OF AN

ECONOMIC EMERGENCY, SOME FEELING OF DISAPPOINTMENT AMONG LIBERALS (AS WELL AS SOME FEELING OF RELIEF AMONG CONSERVATIVES) AT THE SLOW PACE OF THE LOPEZ ADMINISTRATION. THIS FEELING AROSE IN PART FROM THE STATEMENTS OF LOPEZ AS CANDIDATE AND AS PRESIDENT-ELECT, PROMISING RAPID AND SIGNIFICANT CHANGES DURING THE FIRST HUNDRED DAYS OF HIS ADMINISTRATION. THE SEPT 17 DECREE AND THE MEASURES ENACTED UNDER IT (SEE BOGOTA A-185), MOST NOTABLY A REVISION OF THE INCOME AND SALES TAXES TO PLACE A GREATER SHARE OF THE BURDEN ON THE WEALTHY AND A NUMBER OF REDUCTIONS IN THE SUBSIDIES PAID TO COMMERCE AND INDUSTRY, MARKED THE END OF THE WAITING PERIOD, INDICATED THE GENERAL ECONOMIC COURSE OF THE ADMINISTRATION AND ENGENDERED THE FIRST SIGNIFICANT INDICATIONS OF DISCONTENT WITH THE NEW PRESIDENT. CRITICISM, WHILE SIDESPREAD, IS NOT AS YET OF A LEVEL TO HINDER SERIOUSLY THE ADMINISTRATION. IT CONCERNS BOTH THE METHOD (USE OF EMERGENCY POWERS) AND THE SUBSTANCE OF THE ECONOMIC PACKAGE.

3. THE BUSINESS COMMUNITY WAS, PREDICTABLY, AMONG THE FIRST TO EXPRESS MISGIVINGS ABOUT THE PROGRAM. FABIO ECHEVERRY, HEAD OF THE NATIONAL ASSOCIATION OF INDUSTRIALISTS AND BASICALLY A LOPEZ SUPPORTER, TOLD AN EMBASSY OFFICER THAT HE FELT THE ADMINISTRATION HAD MOVED TOO FAR TOO FAST WITHOUT CONSULTING THE BUSINESS COMMUNITY. HE FEELS THAT THE ECONOMIC PROGRAM WOULD HAVE BEEN SOUNDER IF, IN ITS PREPARATION, IT HAD THE BENEFIT OF PRACTICAL INSIGHTS FROM BUSINESSMEN. ECHEVERRY WAS PARTICULARLY UNEASY OVER MOVES SUCH AS THE ELIMINATION OF EXPORT SUBSIDIES AND THE INITIATION OF A CAPITAL GAINS TAX WHICH, HE SAID, WILL DEPRESS INDUSTRIAL ACTIVITY. OTHER BUSINESSMEN ARE CONCERNED WITH THE DAMPENING EFFECT ON SALES OF THE HIGH (35 PERCENT) SALES TAX ON ITEMS CLASSIFIED AS LUXURY GOODS. SOME OTHERS POINT OUT THAT SOME OF THE ITEMS ON THE LIST (I.E. SEWING MACHINES) ARE NO TRULY IN THE LUXURY CATEGORY. THE PETROLEUM SECTOR IS SERIOUSLY CONCERNED THAT THE REPEAL OF THE DEPLETION ALLOWANCE, CALLED FOR IN THE NEW INCOME TAX LAW, WILL DISCOURAGE OIL EXPLORATION AT A TIME WHEN COLOMBIA FACES THE PROSPECT OF BECOMING A PETROLEUM IMPORTER.

CONFIDENTIAL

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PAGE 03 BOGOTA 09581 261621Z

4. THE POLITICAL CRITICISM OF THE LOPEZ ECONOMIC PROGRAM HAS CENTERED MORE ON THE METHOD (USE OF EMERGENCY POWERS) THAN ON THE CONTENT OF THE PROGRAM. CARLOS LLERAS, NEVER A LOPEZ ADMIRER, HAS USED HIS NEW WEEKLY, "NUEVA FRONTERA" TO CRITICIZE VARIOUS ASPECTS OF THE PRESIDENT'S PROGRAM. HIS MOST TELLING ARGUMENT, HOWEVER, HOLDS THAT THE CITING OF A CHRONIC PROBLEM SUCH AS INFLATION TO SUSPEND, IN

PART, THE LEGISLATIVE PROCESS CREATES A DANGEROUS PRECEDENT. SENATOR APOLINAR DIZA, A ARTICULATE MEMBER OF THE LEFT WING OF THE LIBERAL PARTY, EXPRESSED THE SAME MISGIVINGS TO AN EMBASSY OFFICER. DIAZ WAS ALSO CRITICAL OF THE LACK OF CONFIDENCE SHOWN BY LOPEZ IN THE LIBERAL CONGRESSMEN WHO HAVE ABSOLUTE MAJORITIES IN BOTH HOUSES OF CONGRESS. MANY CONSERVATIVES ARE APPREHENSIVE BOTH ABOUT THE PRECEDENT SET BY THE SEPT 17 DECREE AND ABOUT THE POSSIBLE SLOWDOWN IN THE ECONOMY THAT THE NEW FISCAL MEASURES MAY CAUSE. CONSERVATIVE POLITICIANS OF PROGRESSIVE AS WELL AS ORTHODOX STAMP HAVE EXPRESSED TO EMBASSY OFFICERS THEIR CONCERN AT WHAT THEY DESCRIBE AS A RECENT SLOWDOWN IN BUSINESS AND CREDIT TRANSACTIONS AND FORECAST A SHARP INCREASE IN UNEMPLOYMENT BY DECEMBER IF THE TREND CONTINUES.

5. THUS, AT PRESENT, THERE IS OPPOSITION, OR AT LEAST MISGIVING, ABOUT LOPEZ'S FIRST MAJOR MOVE ARISING FROM THE INFLUENTIAL BUSINESS COMMUNITY AND, POLITICALLY, FROM THE RIGHT, LEFT AND MOST SIGNIFICANTLY, FROM THE CENTER, WHERE LLERAS, THE LAST LIBERAL PRESIDENT UNDER THE NATIONAL FRONT, COMMANDS RESPECT WITHIN BOTH PARTIES. SUCH CRITICISM, DESPITE ITS BROAD IDEOLOGICAL BASE, IS, AS YET, NOT OF A SIZE TO HINDER LOPEZ. THE INITIAL CRITICISM OF LOPEZ MUST ALSO BE VIEWED AS A NATURAL RETURNING TO THE POLITICAL WARS AFTER SEVERAL MONTHS OF UNACCUSTOMED SERENITY. LLERAS STILL SMARTING FROM HIS FAILURE TO CAPTURE THE 1974 NOMINATION CAN BE EXPECTED TO WORK ASSIDUOUSLY IN PURSUIT OF THE 1978 NOMINATION, CAN BE EXPECTED TO WORK ASSIDUOUSLY IN PURSUIT OF THE 1978 NOMINATION. HIS CRITICISM OF LOPEZ MUST ACCORDINGLY BE VIEWED IN THAT CONTEXT. ELSEWHERE IN THE LIBERAL PARTY, THERE IS EVIDENCE OF EFFORTS TO HEAD OFF THE 1978 NOMINATION OF JULIO CESAR TURBAY, CONFIDENTIAL

CONFIDENTIAL

PAGE 04 BOGOTA 09581 261621Z

THE PRESIDENT'S EFFECTIVE BUT LITTLE LIKE POLITICAL DEPUTY. SOME OF THESE EFFORTS WILL TAKE THE FORM OF OPPOSITION TO VARIOUS ASPECTS OF THE LOPEZ PROGRAM. CONSERVATIVES, HOPING FOR SOME ISSUE ON WHICH TO REGAIN SOME OF THEIR LOST ELECTORAL SUPPORT, ARE ALSO EYEING THE EMERGENCY POWERS ISSUE. IT IS, HOWEVER, NOTEWORTHY THAT THEY HAVE NOT SEEN FIT TO ACT AS A PARTY IN OPPOSING THIS MATTER. THUS, AT PRESENT, THE OPPOSITION TO LOPEZ IS NOT YET OF A SIZE TO BLOCK HIS PROGRAMS, WITH A SUBSTANTIAL PORTION OF SUCH OPPOSITION GENERATED BY PERSONS AND FACTIONS LOOKING AFTER THEIR OWN POLITICAL FORTUNES FOUR YEARS HENCE.

6. APART FROM THE ECONOMIC MEASURES, OTHER LOPEZ PROGRAMS ARE STILL LARGELY IN ABEYANCE. THE CONCORDAT, A MODERATE

UPDATING OF THE CHURCH-STATE RELATIONS IS EXPECTED TO RECEIVE FINAL CONGRESSIONAL APPROVAL SHORTLY. SUBSEQUENT TO THAT APPROVAL, CONGRESS WILL BE FREE TO ACT ON A PACKAGE OF FAMILY LEGISLATION DESIGNED TO GIVE COLOMBIAN WOMEN A LEGAL POSITION MORE IN KEEPING WITH TWENTIETH CENTURY REALITIES. SUCH LEGISLATION, WHEN ENACTED, WILL IN CONTRAST TO THE ECONOMIC PROGRAM, ENHANCE THE PRESIDENTS PRESTIGE AT PRACTICALLY NO POLITICAL COST.

7. THE NEAR TERM OUTLOOK FOR THE LOPEZ ADMINISTRATION IN TERMS OF POPULAR AND POLITICAL SUPPORT REMAINS FAVORABLE. THERE WILL, HOWEVER, BE A MORE NORMAL LEVEL OF POLITICAL OPPOSITION AS PRESIDENT LOPEZ COMES TO BE JUDGED LESS BY HIS MASSIVE ELECTORAL VICTORY AND MORE BY THE POLICIES AND METHODS OF HIS PRESIDENCY.  
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